



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

January 29, 2014

MEMORANDUM

To: Representative Weininger

From: Marc E. Shovers, Managing Attorney, (608) 266-0129

Eric Mueller, Legislative Attorney, (608) 261-7032

Subject: Technical Memorandum to **2013 AB 547** (LRB-2083/1) **by DOR**

We received the attached technical memorandum relating to your bill. This copy is for your information and your file.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

January 14, 2014

TO: Marc E. Shovers
Eric V. Mueller
Legislative Reference Bureau

FROM: Robert Schmidt
Department of Revenue

SUBJECT: Technical Memorandum on 2013 AB 547 Relating to Disseminating Information about a Tax Incremental District's Annual Budget and Value Increment, Requiring a Political Subdivision to Evaluate a Tax Incremental District's Performance, Increasing the Amount that a Political Subdivision may Add to Its Levy Limit upon the Dissolution of a Tax Incremental Financing District, and Extending the Life and Expenditure Period for Certain Tax Incremental Financing Districts

The Department of Revenue (DOR) has the following concerns regarding the bill:

(1) The bill specifies that the treatment of section 66.0602 (3) (dm) "first applies to a levy that is imposed in December 2013". Since these levies have already been determined and tax bills sent to property owners, we suggest that the effective date be for levies imposed in December 2014.

(2) The other provisions of the bill relating to the operation of TIF districts should be made effective on October 1, 2014, the beginning date of the annual TIF cycle. This would also permit DOR to change its administrative processes and to notify local officials of their new responsibilities.

(3) The current date of the annual TIF report is May 1. Under the bill, this date is changed to July 1. We suggest the date remain May 1 because municipalities should have the required data by that date and if a TIF district is at the point where it should be terminated, notice to the DOR must be made by May 15.

(4) Except in first 8 years of a TIF district's existence, a TIF district's finances would be graded based on whether the district's actual expenditures (project costs) and tax increments are in balance. The DOR expects that at the completion of the initial 8 year time span most TIF districts will earn a grade of "F" under the proposed grading system since a large percentage of their project costs will remain to be recovered by future incremental levies. The grading system could be modified to compare projected costs with projected incremental levies to determine if development in the TIF district is occurring as planned.

(5) The bill does not require a municipality to submit the report card grading its TIF districts to the DOR. The DOR would therefore be unable to determine when the "12 percent limit" could become a "15 percent limit", and when the limit might revert to 12 percent.

The Department will incur costs to establish procedures and processes regarding the revised provisions of the TIF laws. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

| | Chapter 20 | Amount | FTE |
|----------|-------------------|---------------|------------|
| One-time | 20.566 (2) (a) | \$ 111,900 | |

If you have any questions on this technical memorandum, please contact Daniel Huegel at 266-5705.

cc: Representative Chad Weininger